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Malaysia

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Annual

2007

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Report Highlights:

Malaysia continues to be a net importer of food products with annual imports of more than \$4.5 billion, including consumer-oriented and fishery product imports of \$2.3 million. With a per capita income of over \$6,000, a middle and upper class making up 61 percent of the population, and 6 percent GDP growth for 2007, Malaysia shows good potential for growth as a market for consumer high value products. According to U.S. Trade data, exports of consumer-oriented products to Malaysia increased from \$159 million in 2001 to \$235 million in 2006. Best product prospects include fresh fruits and vegetables, pet foods, dried fruits, nuts, frozen potatoes and processed juices.

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[MY]

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SECTION I: MARKET OVERVIEW

Malaysia, with a population of around 26 million, is one of the most developed nations in Southeast Asia. About 61 percent of its population falls into the middle to upper income group of consumers. Its economy has a firm foundation that includes strong manufacturing, service and agricultural sectors. Malaysia is expected to chart GDP growth of 6.0 percent in 2007, with per capita income estimated at \$6,400.

The services sector, value added manufacturing sector, the agriculture and agro based sector are expected to contribute to the sustainable growth in 2007. In addition, the Government of Malaysia is promoting biotechnology, information and communications technology, halal products and Islamic finance as new sources of economic growth.

Malaysia is politically and economically stable and open to foreign trade. Transportation, communications, banking and health services are modern and efficient.

Currently, the main challenge for Malaysia's monetary policy is the management of inflation. Since 2005, with the rise in global oil prices and reduction in fuel subsidies, inflation has reached 3.6 percent in 2006, compared to an average of 1.2 percent in previous years (before 2005). The inflation rate for 2007 is forecasted to ease at 2.0 percent.

The Malaysian food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products. The strong economic growth in the late 80's and early 90's contributed to major changes in consumer purchases and consumption patterns. Malaysians living in urban areas are relatively brand conscious, and they prefer to shop in stores, which offer them convenience and good product selections. Hypermarkets/large format stores are now the dominant format in urban/metropolitan areas in Malaysia with about 45 to 60 percent of urban household shoppers using them as the main outlet for the majority of their packaged groceries. Traditional markets are losing ground, but are still important outlets for fresh fruits and vegetables.

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Malaysia's economy will continue to grow, resulting in an increasing number of consumers in the middle-income group demanding greater variety and quality of foods consumed.	Though consumers are demanding greater variety and quality in the foods consumed, they are generally price sensitive towards purchases. Thus retailers often purchase food items that are more affordable to the majority of the consumers.
Shopping for foods at supermarkets and hypermarkets is becoming increasingly popular. Furthermore, new supermarkets and hypermarkets are being established throughout Malaysia where there is a significant population of middle to high-income consumers. Thus supermarkets and hypermarkets are providing greater market access for imported foods, including chilled and frozen foods, since these retail outlets have cold storage facilities.	Countries that are close to Malaysia have a faster delivery time and lower freight cost to Malaysia compared to US exports. Other countries are able to supply foods at lower prices than imports from the US. For example, imports from China, Thailand, Indonesia, and India are known for their relatively low prices. Australia is able to take advantage of quick delivery times many Malaysians are familiar with Australian products.

Malaysia does not produce (or produces in insufficient quantities) certain food items which therefore have to be imported. These include beef, lamb, cheese, butter, pasta, and temperate fruits and vegetables.	Muslims comprise 56% of Malaysia's population. Thus only <i>halal</i> meats (beef, lamb, and poultry) are allowed to be imported into Malaysia from plants approved by the Malaysian Islamic Development Department (JAKIM) and certified by recognized Islamic institutions in the country of export.
Malaysians are becoming more familiar with western foods from their trips abroad as students, businessmen, or tourists. The US, Britain, Australia, and New Zealand are major destinations for many Malaysians. Nearly all F&B outlets in 4-5 star hotels and resorts serve western menus and there are many mid to high-end restaurants across Malaysia serving such menus. US food service franchise operations dominate the Malaysian market and include fast food restaurants, cafés, and family restaurants located across Malaysia.	Importers and distributors supplying mid to high-end establishments will purchase at the lowest price from any exporter or country. Those food items are perceived as substitutable or commodities. For example, importers consider broccoli from China and the US as substitutable and will source imports offered at the lowest price. Beef and lamb from Australia, New Zealand, and the US are known for their quality and considered not substitutable with lower price imports.
The government is encouraging local food manufacturers to expand their exports and take opportunity of the US\$560 billion global <i>halal</i> foods market. Malaysia's <i>halal</i> standards are widely recognized in the Muslim world. Domestic agriculture cannot supply sufficient raw materials.	Though Malaysia is dependent on imports for 70% of the raw food materials, US exporters face competition from locally produced raw food materials that are in sufficient supply (e.g. poultry) including substitute products (e.g. palm oil vs. soybean oil).

SECTION II: EXPORTER BUSINESS TIPS

Business Customs

Malaysians are accustomed to doing business with foreigners and readily accommodate foreign business manners. Younger businessmen are prepared to start new business relationships with foreign companies without the advantage of a personal meeting. These businessmen also prefer to communicate with foreign suppliers electronically.

Prior to initiating any export sales to Malaysia, it would be advantageous to conduct a market survey with particular reference to the competitive environment. It is common for foreign exporters to appoint a local sales agent / importer to distribute their goods, expedite clearance of goods from ports and draw on existing networks of wholesalers and retailers. Regular visits by U.S. exporters to the market are also critical to enhance business relationships.

General Consumer Tastes and Preferences

Malaysia is a multiracial society consisting of three major races. The Malays account for 56% of the population, with Islam as the official religion; slightly more than 20% of Malaysians are Chinese who may be Buddhist or Christian. Indians form 7.1% of the population and they

are largely Hindus. There is also a sizeable expatriate population and Malaysia is a popular tourist destination for Asia, the Middle East and Europe.

Lunch and dinner meals consist mainly of rice together with two or three meats/fish and vegetable dishes that are prepared according to the styles and traditions of various ethnic communities. The Malays and Indians prepare their dishes with hot spices while Chinese prefer to stir-fry. Religious affiliation affects food consumption in Malaysia. Muslims do not eat pork, and only eat meat products that have been certified halal. Many Buddhists and Hindus do not eat beef. Thus, halal chicken meat is popular among all consumers and Malaysia has one of the world's highest per capita consumption rates at 32 kg.

With rising affluence and education levels, consumers' shopping and eating lifestyles have changed drastically over the years. Malaysians, especially in urban and cosmopolitan areas, prefer to shop in modern retail outlets, which offer them one-stop shopping options. However, traditional stores such as provision and grocery shops, which are conveniently located in residential areas and workplaces, are still popular.

Malaysians are adventurous in their eating habits. Eating out is common and is relatively inexpensive. Open air, street-stall food is popular. Fine dining restaurants and foodservice outlets incorporating international cuisines are found in Klang Valley and other major cities where spending power and population concentration are higher. Most consumers frequent this type of restaurants to dine in style and comfort and to experience the best and most sophisticated culinary standards in the country.

With a Muslim population of 56 percent, the demand for halal foods by Malaysian consumers has increased over the years. The expectation of halal standards in food products has extended from meat and meat products to non meat-based products such as snacks, confectionery, dairy and bakery products. Halal is fast becoming recognized as a new benchmark for quality, hygiene and safety. Food products and ingredients that have halal certificates have added marketing value in Malaysia. Hence, most retailers, foodservice operators and food manufacturers are inclined to ask for halal certificates for non-meat based food products and ingredients.

Food Standards and Regulations

Malaysian health and food labeling requirements are fairly liberal. The labeling requirements specify that imported and domestically produced processed food items must be labeled in English or Bahasa Malaysia. Labels must contain the following information:

- An appropriate description of the product;
- A list of ingredients in descending order of proportion by weight;
- if the item contains any animal product, a statement as to the presence of such animal products (beef, pork, lard, gelatins, etc.);
- if the item contains any alcohol, a statement as to the presence of alcohol;
- the minimum net weight of the product; in the case of a product packed in liquid, the minimum drained weight of the food;
- the name and address of the manufacturer;
- the name and address of the importer (this can be affixed at the time of import);
- a statement of shelf life or expiry dates.

Certain food additives, preservatives, and artificial colorings approved for use in the United States may not be permitted in Malaysia (See Malaysian Food Safety and Quality Control website at <http://fsis.moh.gov.my/fqc/>). Codex approved items are generally allowed. In addition, products with labels that include phrases such as "Contains No Palm Oil" or

"Contains No Tropical Oils" will not be allowed for import. (Malaysia is a palm oil producing country and is a strong advocate of this commodity).

In addition to the general labeling requirements above, nutritional labeling is compulsory for the following foods: prepared cereal foods; various types of bread; variety of milk and powdered milk, including sweetened condensed milk, evaporated milk and cultured milk; canned meat; canned fish; canned vegetable, canned fruit and various types of fruit juices, salad dressing and mayonnaise, various types of soft drink including botanical drink, soya bean milk and soya bean drink.

Please see FAIRS Country Report MY7030

<http://www.fas.usda.gov/gainfiles/200708/146291928.pdf> for more detailed information on Malaysian food standard and requirements.

General Import and Inspection Procedures

All food consignments are subject to random checking and sampling at the 34 entry points around the country to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. All meat, poultry and dairy product shipments must be accompanied by appropriate USDA documentation. International freight forwarders normally handle documentation and other formalities with authorities at entry points. Provided all necessary documents are in order, no problems or delays should occur in clearance of goods.

Halal requirement and certification

All beef and poultry (except turkey*) products must be certified halal and the products must originate from slaughterhouses that have been inspected and approved by the Malaysian veterinary and religious authorities. An Islamic Center approved by the Malaysian Islamic Development Department (JAKIM) (<http://agrolink.moa.my/jph/dvs/kav/halal/h-usa.html>) must supervise the slaughter and processing and issue the halal certificate for meat and poultry. The Islamic Center must be listed by the packing plant on the original JAKIM application form or the application must be appropriately amended to make use of a new Islamic Center.

U.S. exporters should also be aware that importers might request for additional certificates, which are not required by the authority, either to meet the demand of their own customers or for marketing purposes. For further processed food (which contains no meat), there is no known requirements for any certificate, but exporters are encouraged to acquire *halal* certification from approved Islamic Centers (<http://agrolink.moa.my/jph/dvs/kav/halal/h-usa.html>) to cater to the Muslim consumer market as Muslims account for more than half of Malaysia's population and Muslims consume foods that are *halal*. The *Halal* Certificate should accompany the shipment and the products should have the approved Islamic Center's *halal* logo on their packaging for information and marketing purposes.

* In Dec 2006, JAKIM arbitrarily declared all turkey to be non-halal in December 2006, after some importers faced difficulties sourcing halal whole turkeys from the 3 approved plants, while demand for holiday use was high. Hence only non-halal turkey are allowed for importation until further notice from JAKIM.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

Malaysia continues to be a net importer of food products with annual imports of more than \$4.5 billion

In 2006, the total imports of consumer-oriented and edible fishery products to Malaysia were estimated at \$2.3 billion. Total imports from the United States were \$190 million*, representing 8 percent market share. China was the major supplier of this category with imports at \$370 million, which is 15 percent of the market share, followed by India (11 percent), Australia (10 percent) and Thailand (10 percent). China is projected to maintain its position for 2007.

China is the main supplier of vegetables with reported imports at \$198 million in 2006. Turnip, cabbage, carrot, potato and garlic were among the major items. China is the market leader for mandarin oranges (\$10.4 million), apples (\$9.2 million) and pears (\$9 million). Since the US and China are both in the northern hemisphere with similar seasons, US exporters have to compete aggressively with Chinese exporters who can sell their produce at lower prices. US Valencia oranges, apples and grapes are popular in the Malaysian market. Imports for 2006 were at \$8.5 million, \$3.7 million and \$3.3 million respectively. Competition is less intense with supplies from Australia and South Africa since they have the opposite seasons.

By tradition, New Zealand is the most favored source for dairy products followed by Australia. In 2006, imports of full cream milk powder, skim milk powder, butter and cheeses from New Zealand were at \$159 million while imports from Australia were estimated at \$94.2 million. US whey is finding a growing market, estimated at \$8.9 million.

India is the leading supplier of red meat market with total imports of \$153 million (100,000 metric tons) in 2006. Indian beef and buffalo meat caters to the mass market. In the foodservice sector, competition for US beef comes from Australia and New Zealand, with total imports of \$12.5 million and \$1 million, respectively, in 2006. US beef is considered premium and is found only in high-end foodservice outlets and restaurants serving Japanese, Korean and Western cuisines. US boned-in beef imports resumed in July 2007 after lifting of the BSE-related ban.

Malaysia is self-sufficient in pork and poultry (broiler/eggs) production. Chicken parts and chicken wings are imported periodically to meet the demand from the local processing industry. In 2006, major suppliers of chicken parts and chicken wings were the Netherlands (\$13 million) and Denmark (\$6 million). US pork exporters have seen a growing market in the past year as shortages cropped up in the local market.

* This data, obtained from the World Trade Atlas Database based on Malaysia Customs data, reflected a lower import value compared to the statistics published by the US Bureau of the Census Trade Data. US data showed that the total exports of consumer-oriented products and edible fish and seafood products from US were \$235 million in 2006.

Malaysia is a net importer of fish and seafood products with an annual import at \$553 million in 2006. Of this, an estimated \$250 million is for imports of fish, whether live, fresh/chilled or frozen. While some supply of fresh and frozen fish comes from the East Coast of Peninsular Malaysia. Other sources are China (\$122 million), Thailand (\$119 million) and Indonesia (\$67 million).

An increasing number of middle to high-income consumers in Malaysia demand high quality imported exotic fish and seafood, especially live, and the bulk of these are consumed in middle to high-end Chinese seafood restaurants. Lobsters (Boston, Rock), abalone, oysters, scallops, clams (Razor, Blood, Sea, Jackknife), green mussels, crabs (Snow, King, Blue Swimmer, Dungeness), prawns (Mantis), geoduck, farmed sturgeon, razor fish, turbot, grouper, sea bass, bamboo fish, coral trout and carp are popular.

High-end western restaurants and high-end hotels have a demand for premium fresh, chilled or frozen products, such as salmon, cod, Dover sole, halibut as well as oysters, scallops, clams, lobsters and crabs. Most salmon imports (fresh/chilled, frozen and smoked) are distributed to these types of food service outlets.

Supermarkets and hypermarkets are good for fresh chilled or frozen lobsters, crabs, large prawns, mackerel, cod, salmon (included smoked), Hoki, Dori, mackerel, crab meat, mussels, scallops and clams.

Opportunities exist for US fish and seafood exporters to develop their market presence in Malaysia by supplying to these major businesses.

Distribution for consumer-ready food products

Private companies are the major entities in the food distribution system. Food importers and commissioned agents place orders with foreign suppliers and distribute to supermarkets/grocery stores and hotels in the cities and to sundry shops in the rural areas. Several of the larger supermarket and hypermarket chains are importing directly from overseas.

Most products from the United States enter through the ports of Klang, Penang and Johor. Transshipment of food products through Singapore has declined with improvement in shipping facilities offered by major ports in Malaysia. Westport, situated in Port Klang and the newly developed Port of Tanjung Pelepas (in Johor) have further enhanced Malaysia as a shipping hub.

Malaysia has 7 international airports, including the newly opened Kuala Lumpur International Airport (KLIA), one of the biggest and most modern airports in the region. Malaysia's modern highway network is the backbone of the country's transport system as 90 percent of passenger and cargo movements are by roads. Roads link almost every town in Malaysia, and products move efficiently between cities and rural areas. Railway lines which connect the north, south, west and east coasts of Peninsular Malaysia complements the road system.

Food Retail Sector

Malaysian households spend an average 24 percent of their household income on retail purchase of foods. Due to rising affluence and higher education level, Malaysian consumers have become more sophisticated and demand higher quality for the goods that they purchased.

The retail food sector includes the supermarkets and hypermarkets, convenience stores, and traditional markets. The traditional markets include the independent grocery stores ("mom and pop" stores) and wet markets. In general, traditional markets account for a large portion of the food sales, followed by the supermarkets and hypermarkets (33.9%) and convenience stores (2.4%).

In 2006, retail food sales in supermarkets accounted for \$2.2 million with a forecast to reach \$2.6 million in 2008. Hypermarkets reached \$2.1 million in food retail sales in 2006, with a forecast to reach \$2.5 million in 2008. (Source: Euromonitor).

Independent grocery stores and wet markets are found in the residential areas of both urban and rural towns across Malaysia. Most of the food items sold by grocery stores are canned foods, dried foods, snack foods, ice cream, and soft drinks. Fresh produces such as fruits and vegetables are seldom sold and usually do not sell frozen or chilled foods other than ice cream. However, grocery stores known as mini-markets, which are larger and more modern than the traditional grocery stores, would sell these food items. However, they are relatively fewer in numbers compared to the traditional grocery stores.

Wet markets include daily wet markets operating in permanent buildings and weekly morning and night markets operating in non-permanent locations. Food items sold are generally fresh fruits, vegetable, meat and fish. Imports are usually apples, oranges, grapes, carrots, potatoes, onions, cabbages, and broccoli.

Supermarkets and hypermarkets are mainly located in the major urban centers and are continuing to grow in numbers. Foreign-owned retailers operating locally include Tesco, Carrefour, Makro, Dairy Farms International (owns Giant), and Jaya Jusco. Supermarkets and hypermarkets will continue to see the fastest growth over the next three years. Giant, which registered combined (food and non-food) total annual sales of \$900 million (RM3.3 billion) in 2006, leads in market size, followed by Jaya Jusco at \$500 million (RM1.6 billion), Carrefour at \$300 million (RM1 billion) and Tesco, which is fast reaching \$208 million (RM700 million). Ten years ago, no retailer in the country could surpass the billion-ringgit sales mark. These retail stores provide good venues for imported products and access to the middle and high-income sophisticated consumers.

Competition among the retailers, especially hypermarkets, is intense with large international retailers like Carrefour, Tesco and Giant frequently engaging in price wars to establish their presence as major players in the market. Carrefour has successfully launched the price cuts strategy for about 1,200 products in their stores. Meanwhile, Giant, the largest hypermarket operator in Malaysia, is reported to sacrifice profits in order to maintain the low-price leader status. Pressure is mounting for local retailers, such as The Store, to maintain competitive prices and carry a good variety of products in order to keep up with the international players.

A recent study conducted by a retail consultant in Malaysia showed that Malaysians are shopping more at convenience stores and petrol marts. Increasing competition has resulted in a need for convenience stores to become more professional. Customers are now

expecting more sophisticated offers like a wider range of better quality ready-to-eat snacks and hot-and-chilled beverages.

Key Entry Strategies for US Exporters

1. Market, distribute, and promote through the supermarkets and hypermarkets.
2. Promote food products to create consumer awareness and loyalty.
3. Appoint importers or agents that best meets the needs of the exporter.
4. Ensure that processed foods are acceptable to local taste and have appropriate packaging.
5. Acquire *halal* certification from recognized Islamic institution in the US.

Food Processing Sector

There are nearly 3,200 manufacturers involved in the food manufacturing industry in Malaysia and the industry accounts for nearly 10 percent of Malaysia's manufacturing output. In 2006, the food manufacturing industry registered an output growth of 7.5% percent with sales value of \$4 billion. Processed foods are exported to 80 countries, with an annual export value of more than \$1.59 billion. Food manufacturers operating in Malaysia include both Malaysian and multinational companies such as Nestle, Unilever, Cerebos, and Campbell Soup.

The Malaysian government has identified the food processing industry as a priority sector for industrial development and increase exports. Malaysia's Ministry of International Trade and Industries (MITI) estimates the global market for *halal* foods (foods suitable for Muslim consumption) at \$560 billion annually. Recognizing the potential of the halal food industry, Malaysia aims to become a Global Halal Hub by becoming a major producer of halal food and being in the forefront of marketing, certification and reference for halal food products.

In this regard, the Malaysian government allocated \$25 million to develop the halal industry. From this allocation, \$6.9 million was allocated to the newly set-up Halal Industry Development Corporation (HIDC) and another \$13.9 million was for the setting-up of four halal parks. In addition, there are various incentives available such as the Investment Tax Allowance for halal food production and double deduction of expenses incurred in obtaining halal, safety and quality standards.

With the emphasis given by the Government to promote Malaysia as an international halal hub, the prospects for the halal food industry are promising. Malaysia also works closely with the Organization of Islamic Conference (OIC) countries to promote the Malaysian Halal Standard (MS1500:2004) as the benchmark for international standard for halal products. This is expected to further contribute to the acceptance of Malaysia's halal food products globally.

Big corporations such as Nestle and Tesco are known to work hand-in-hand with the government to achieve the halal hub goal. With more than 30 percent of Nestle Malaysia's exports are for Middle East, and a large portion going to markets with substantial Muslims population such as Indonesia, Singapore and Philippines, Nestle has picked Malaysia as their global halal food production center and currently export over \$100 million annually. Meanwhile, Tesco Malaysia has announced its plan to export \$2.7 million worth of halal products from Malaysia to Britain by 2011.

Changes in consumer lifestyle and government emphasis encouraging exports of processed foods from Malaysia are the market drivers of the country's food processing industry.

- Malaysia's rising per capita income and increasing urban population has encouraged consumers to lead a more modern but busy lifestyle. Thus there is a trend towards meals that are convenient to prepare or ready to eat. Consumers are also demanding more variety in their foods, becoming accustomed to international cuisines including western foods, and also healthier foods, providing new opportunities for food manufacturers.
- An important trend affecting the local food processing industry is the establishment of new supermarkets and hypermarkets throughout Malaysia. Shopping at these retail outlets is becoming increasingly popular among consumers. These supermarkets and hypermarkets have cold storage facilities to stock and display chilled and frozen foods. This provides opportunities for food manufacturers to develop and market frozen and chilled processed foods.

Key Entry Strategies for US Exporters

1. Ensure quality of the raw food materials to instill manufacturers' confidence.
2. Acquire *halal* certification to cater to the Muslim consumer market.
3. Emphasize on the competitive advantage of the exporter's products to the food manufacturers.
4. Market and promote to increase awareness among food manufacturers.
5. Establish an efficient distribution network to maximize market penetration.

Food Service Sector

Malaysians frequently eat away from home at various low to high-end food service establishments across the country. It is common for families to treat themselves at least once a week eating away from home. Total consumer spending in the retail food service sector was at \$10.7 billion in 2005.

Hotels and resorts, restaurants, and the institutional sub-sectors represent the best potential for US exporters. The restaurant sub-sector accounted for 70% of the total food service sales in 2006. This is followed by the hotels and resorts (8%) and catering services to institutions (5%). Other sub-sectors include food stalls but are not a potential market for US exporters since they mainly serve relatively cheap local dishes.

Malaysia's tourism industry has also led towards the growth of the food service industry in Malaysia. Tourism is an important revenue earner for the country. Currently it is the second largest foreign exchange earner after manufacturing. Between 1996 and 2006, total tourist revenue registered an average annual growth of 12.0 percent, from \$3.5 billion in 1996 to \$11.3 billion in 2006. Of this, food and beverage is the third largest contribution at 16.4% after accommodation (39.4%) and shopping (20.7%). The growth in tourism is expected to fuel the growth of restaurants offering international cuisines such as Middle Eastern and Latin American food. With the on-going Visit Malaysia Year 2007 promotion, tourist arrivals are expected to reach 20.1 million in 2007 and 24 million by 2010 from 16.4 million in 2005.

High tariffs and excise taxes in alcoholic beverages are deterring the consumption of wine in the foodservice sector. The taxes, known as sin taxes, generally increase about 5%-10%

every year. Coupled with the high mark-ups on the wine by hotel and restaurant operators, the selling price of wines are often exorbitant, limiting further consumption in foodservice outlets.

Key Entry Strategies for US Exporters

1. Conduct promotional activities to create awareness among importers and the food service establishments.
2. Appoint local importers specialized in the food service industry to import and market the exporter's food products to the food service establishments.
3. Target the mid to high-end food service establishments.
4. Acquire *halal* certification from recognized Islamic institutions in the US.
5. Maintain a product positioning strategy for the food products.

SECTION IV: BEST HIGH-VALUE PRODUCTS PROSPECTS

Product Category	2006 Market Size	2006 Imports	3Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness For USA
Infant food, including dairy products	N/A	26,725 tons (\$81 million)	13%	No import duties are levied on infant milk/food .	Food cultural barriers exist. Malaysian mothers appear to prefer cereal based infant foods. Locally prepared and packed dairy products of Nestlé, Dumex and Dutch Baby have a strong hold on the market.	The USA is already the major supplier for bottled infant food and the market is upgrading on the back of higher disposable incomes.
Fruit juices	N/A	15,386 tons (\$25 million)	12% growth	20% except for pineapple juice which incurs 30%.	The retail market for fruit juices is growing, the market is upgrading from cordials on the back of higher disposable incomes.	This market is likely to become more dynamic in future as Malaysians start to understand these products. Opportunities will exist for development by the U.S. pure juice suppliers.
Fresh Vegetables	392,452 tons	387,452 tons (\$162 million)	3% growth	No import duty is charged	Competition from key established	Demand for temperate vegetables

Temperate		million)			suppliers from Australia, Indonesia and China. Competition also comes in the form of products from Malaysia's own highlands and some Asian countries.	will continue to rise on the back of rising disposable incomes. This will provide opportunities for U.S. suppliers able to compete with Australia, Indonesia and China.
Frozen vegetables	37,682 tons	37,682 tons (\$27 million)	Marginal growth	Nil except sweet corn which incurs 10% and frozen potatoes at 7%.	Demand is not very varied and revolves around potatoes, peas, sweet corn and mixed vegetables.	Frozen vegetables, especially potatoes from US are in demand from Malaysian consumers. Note: Food service demand is also important.
Fresh fruits, temperate	339,942 tons	336,101 tons (\$83 million)	3%	5% for strawberry, raspberry and gooseberry and 10% for other fruits except kiwi fruit which incur 30% import duty.	Few barriers exist for popular products such as apples, pears, oranges and grapes.	This is one of the most attractive market segments for the USA to develop. Demand for temperate fruits will rise on the back of rising disposable incomes.

Dried fruits	21,466 tons	21,466 tons (\$10.6 million)	6%	10% except for Dates, which incur no import duty.	Mature traditional demand exists except for dates which are growing rapidly on the back of rising disposable incomes.	Attractive to U.S. suppliers with market driven approach to business with Malaysia.
Edible nuts	7,867 tons	7,867 tons (\$22 million)	9% growth	Nil, except for roasted groundnuts which incurs 20% import duty.	Major demand growth is from the food industry.	This market should not be ignored. The USA is already the major supplier and the market is upgrading on the back of higher disposable incomes.
Dog and cat food for retail sale	21,406 tons	21,406 tons (\$21.3 million)	12%	No import duties are levied on dog or cat food.	Few constraints/barriers exist under conditions where disposable incomes are growing.	Attractive for committed suppliers wishing to actively develop markets on a long-term basis.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting high value products to Malaysia, please contact the Office of Agricultural Affairs at the U.S. Embassy in Kuala Lumpur at the following address:

Office of the Agricultural Affairs
U.S. Embassy - Kuala Lumpur
APO AP 96535-8152
Tel : (011-60-3) 2168-4985/2168-4884
Fax : (011-60-3) 2168-5023
email: agkualalumpur@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service homepage: <http://www.fas.usda.gov>.

Malaysian Regulatory Agencies / Other Trade Contacts

Director
Food Safety and Quality Division
Ministry of Health Malaysia
Level 3, Block E7, Parcel E
Federal Government Administration Center
Putrajaya 62518
Tel: +6-03-8883--3888
Fax: +6-03-8889-4971
[Http://dph.gov.my](http://dph.gov.my)

Director General of Customs
Royal Customs and Excise Headquarters Malaysia
Ministry of Finance Complex
Precinct 2, Federal Government Administration Center
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Tel : +(6-03) 8882 2100
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<http://agrolink.moa.my/jph>

APPENDIX I: STATISTICS**A. KEY TRADE & DEMOGRAPHIC INFORMATION**

Agricultural Imports From All Countries (US\$Mil) / U.S. Market Share (%)	7,915 / 6%
Consumer Food Imports From All Countries (US\$Mil) / U.S. Market Share (%)	2,319 / 8%
Edible Fishery Imports From All Countries (US\$Mil) / U.S. Market Share (%)	533/ 2 %
Total Population (Millions) / Annual Growth Rate (%)	26.13/ 2.4%
Urban Population (Millions) / Annual Growth Rate (%)	17.6/ 2.5%
Number of Major Metropolitan Areas	11
Size of Middle Class (Millions) / Growth Rate (%) (estimate)	15 / 2.5%
Per Capita Gross Domestic Product (US Dollars)	\$6,400
Unemployment Rate (%)	3.5%
Per Capita Food Expenditures (U.S. Dollars)	\$1,500
Percent of Female Population Employed	45.8%
Exchange rate (US\$1 = X.X local currency)	US\$ = 3.37 RM

TABLE B: Consumer Food & Edible Fishery Products

	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Malaysia Imports									
(In Millions of Dollars)									
CONSUMER-ORIENTED AGRICULTURAL TOTAL	2005	2158	2319	150	168	190	7	8	8
Snack Foods (Excl. Nuts)	74	78	93	4	4	6	6	5	6
Breakfast Cereals & Pancake Mix	11	12	14	1	1	1	8	8	6
Red Meats, Fresh/Chilled/Frozen	223	246	240	0	0	0	0	0	0
Red Meats, Prepared/Preserved	8	7	6	0	1	1	4	7	9
Poultry Meat	24	25	24	1	3	1	4	10	4
Dairy Products (Excl. Cheese)	402	442	448	27	38	42	7	9	9
Cheese	20	23	26	0	1	1	2	6	5
Eggs & Products	3	3	2	0	0	0	2	5	5
Fresh Fruit	101	104	113	16	16	17	15	16	15
Fresh Vegetables	283	308	350	4	5	8	1	2	2
Processed Fruit & Vegetables	122	132	142	27	22	23	22	17	17
Fruit & Vegetable Juices	18	20	25	2	4	7	14	18	29
Tree Nuts	16	22	20	6	10	8	37	44	39
Wine & Beer	67	47	44	2	2	2	4	5	6
Nursery Products & Cut Flowers	6	4	6	0	0	0	0	0	0
Pet Foods (Dog & Cat Food)	19	21	27	4	4	5	20	17	17
Other Consumer-Oriented Products	609	663	739	55	57	67	9	9	9
FISH & SEAFOOD PRODUCTS	519	512	553	9	9	13	2	2	2
Salmon	16	18	17	0	1	0	3	2	1
Surimi	10	8	13	0	0	0	0	2	0
Crustaceans	202	177	157	0	2	1	0	1	1
Groundfish & Flatfish	61	72	105	6	5	6	9	6	6
Molluscs	15	19	24	1	1	3	5	5	11
Other Fishery Products	214	218	237	1	1	3	1	0	1
AGRICULTURAL PRODUCTS TOTAL	5775	5894	6919	372	366	421	6	6	6
AGRICULTURAL, FISH & FORESTRY TOTAL	6671	6773	7915	428	409	468	6	6	6

Source: Global Trade Atlas.

Table C: Top 6 Suppliers of Consumers Foods & Edible Fishery Products

CONSUMER-ORIENTED AGRICULTURAL TOTAL – (\$1000)

RANK	IMPORT MARKETS	2004	2005	2006
1	CHINA	278,616	309,761	369,419
2	INDIA	217,131	238,645	264,961
3	AUSTRALIA	247,215	272,761	254,939
4	THAILAND	225,304	241,914	250,534
5	NEW ZEALAND	250,651	237,154	223,235
6	UNITED STATES	149,844	167,674	190,466
	OTHERS	318,080	322,253	396,711
	TOTAL	2,005,452	2,157,992	2,319,109

FISH & SEAFOOD PRODUCTS – (\$1000)

RANK	IMPORT MARKETS	2004	2005	2006
1	CHINA	72,456	106,206	121,809
2	THAILAND	123,608	111,775	119,309
3	INDONESIA	68,877	66,207	66,746
4	VIETNAM	42,417	31,766	47,588
5	INDIA	30,527	45,954	32,268
6	MYANMAR	22,517	26,453	31,033
7	UNITED STATES	8,576	8,313	12,342
	OTHERS	150,059	115,774	122,218
	TOTAL	519,037	512,448	553,313

Source: World Trade Atlas.